

JOINT ECONOMIC COMMITTEE

CONGRESSWOMAN CAROLYN MALONEY, VICE CHAIR



To: Democratic Members
From: Rep. Carolyn Maloney
Date: October 30, 2019
Re: Fact checking the Republican claim that household incomes have risen \$5,000 under Trump

At the committee chairs meeting Wednesday morning, our colleague John Yarmuth asked about the Republican claim that incomes have jumped \$5,000 during the Trump administration.

The claim comes from economist Stephen Moore, who recently wrote in RealClearPolitics that “the median or average-income family has seen a gain of \$5,003 since Trump came into office.”¹ The President has repeated and expanded on this, asserting that the increase is approximately \$7,000 when tax cuts are included.²

The *Washington Post* Fact Checker awarded this claim “**Two Pinocchios**.”³ Here are some of the reasons cited and additional JEC analysis.

The official government statistics report only a \$1,400 increase over the first two years of the Trump administration

The most reliable data about household income is released annually by the U.S. Census Bureau, which in September reported that inflation-adjusted median household income in 2018 was \$63,179. This represents a \$1,400 increase over the first two years of the Trump administration.⁴ However, this does not include the period from January 2019 through the present.

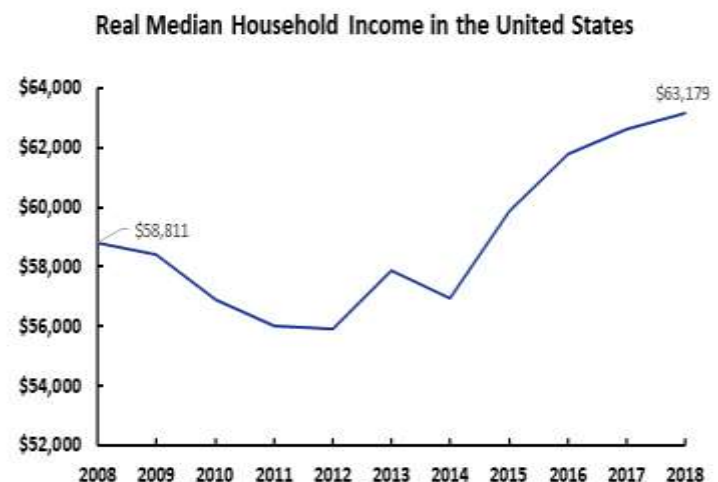
The increase during the last two years of the Obama administration was three times larger

The most accurate annual data from the U.S. Census Bureau shows that median household income increased \$4,800 during the last two years of the Obama administration – more than three times greater than during the first two years of the Trump administration.⁵

The \$5,000 figure is based on monthly data, which are less reliable than annual figures

The \$5,000 figure is not the widely accepted official annual statistic on household income, but is produced by a private firm based on less accurate monthly data from the Census Bureau’s Current Population Survey (CPS).⁶ The monthly survey has a small sample size and includes only one question about income, while the annual survey has a much larger sample size and asks many precise questions about income.⁷

Because of these methodological shortcomings, the monthly numbers can be very volatile—for example, showing that household incomes skyrocketed by almost \$2,000 from May through August.⁸ An increase of this magnitude in such a short period seems unlikely.



Source: U.S. Census Bureau, Federal Reserve Economic Data (FRED), St. Louis Fed.
Note: Dollar amounts are 2018 CPI-U-RS Adjusted Dollars.

The private report may be useful in suggesting trends, but its authors characterize it as an “interim measure” and observe that the Census Bureau’s annual statistics provide “the most accurate measures of both the level and change in household income.”⁹

Nevertheless, it’s likely that income growth has accelerated somewhat

There is no question that an exceptionally tight labor market, with an unemployment rate of only 3.5 percent in September, has given a slight boost to wage growth. If wages continue to rise and unemployment remains low, median household incomes will continue to rise.

The \$5,000 figure touted by the Trump administration suggests that household incomes have rocketed upward in the first eight months of 2019 – supposedly, according to the private monthly figures, an \$850 increase between July and August alone.¹⁰ This one-month move further underscores the volatility in monthly data. It is not clear that when the official annual household income figures for 2019 are released in 2020 whether the increase will reach the \$5,000 figure trumpeted by the Trump administration.

It isn’t surprising that incomes continue to rise because Trump inherited a strong economy

Wages and household incomes had been rising for several years by the time Trump was inaugurated on January 20, 2017. Trump inherited a strong economy, with very low unemployment, strong job growth, steady GDP growth and rising incomes.

More than half of income growth occurred before Trump’s signature economic policy took effect

Whether you choose to rely on the official annual estimates of household income growth, which show a \$1,400 increase during the first two years of the Trump administration, or an estimate by a private firm based on a less reliable monthly survey, which estimates a \$5,000 increase for the first 32 months of the administration, it is clear that much of the increase isn’t due to Trump policies.

The president’s most significant economic policy, his \$1.9 trillion tax cuts, did not take effect until January 2018. According to official annual Census statistics, 60 percent (almost \$850 out of \$1,400) of the household income growth in his first two years occurred during 2017.¹¹

The President’s additional claim – that net incomes are up \$7,000 – is flatly false

President Trump further inflates the \$5,000 figure by implying that households have received an additional \$2,000 during his term due to the tax cuts—a total of \$7,000 annually. However, this is wildly misleading because the \$2,000 is a high estimate of the possible *average* household savings, which is much higher than what a typical (median) family would receive.¹² In addition, the president ignores the costs of tariffs on imports from China, which the Federal Reserve Bank of New York estimated in May at \$800 per year for each household.¹³

This Republican claim follows the Trump administration’s pattern of lies and misleading statements about the economy

According to The *Washington Post* Fact Checker, by early October, President Trump had made over 13,000 false or misleading claims, including 1,270 about the economy during his presidency.¹⁴

¹ Moore, Stephen. "[It's a Middle-Class Boom](#)." RealClearPolitics. October 15, 2019. Moore made a similar claim two weeks earlier in The Wall Street Journal, but came up with a lower number (\$4,144) using a different methodology.

² Picchi, Aimee. "[Is Trump right that Americans' incomes have risen \\$7,000 since he took office?](#)" CBS News, October 24, 2019.

³ Kessler, Glenn. "[Trump's shiny new talking point about income growth](#)," Washington Post, October 28, 2019.

⁴ U.S. Census Bureau. "[Income and Poverty in the United States: 2018](#)," September 2019. St. Louis Federal Reserve Bank, "[Real Median Household Income in the United States](#)," Updated September 10, 2019.

⁵ Ibid.

⁶ Green, Gordon and Coder, John. "[Household Income Trends August 2019](#)." Sentier Research. October 2019. On October 30, 2019, Sentier Research reported household income data for September 2019, showing that median household income increased \$5,227 from January 2017 – September 2019.

⁷ U.S. Census Bureau. "[Differences between the Current Population Survey \(CPS\) and the Annual Social and Economic Supplement \(ASEC\) to the CPS](#)." Accessed October 29, 2019.

⁸ Monthly data shared by Sentier Research.

⁹ Green, Gordon and Coder, John. "[Household Income Trends August 2019](#)." Sentier Research. October 2019.

¹⁰ Ibid.

¹¹ U.S. Census Bureau. "[Income and Poverty in the United States: 2018](#)," September 2019. St. Louis Federal Reserve Bank. "[Real Median Household Income in the United States](#)," Updated September 10, 2019.

¹² Kessler, Glenn. "[Trump's shiny new talking point about income growth](#)." Washington Post, October 28, 2019.

¹³ Amiti, Mary, Redding, Stephen J., and Weinstein, David E. [New China "Tariffs Increase Costs to U.S. Households."](#) Federal Reserve Bank of New York. May 23, 2019.

¹⁴ "[In 993 days, President Trump has made 13,435 false or misleading claims](#)." Washington Post, Updated October 9, 2019.